Product and Branding Strategy
Presentation Outline

- Different levels of a product
- Characteristics of products and services
- Product mix concept
- Demand measurement
- Branding
- Brand Architecture
- Brand Equity Assets
- Brand Wheel Model
The different levels of a product

- Core benefit
- Basic product
- Expected product
- Augmented product
- Potential product
The different levels of a product

- **Core benefit level**: is the core customer value and the core customer need that is being provided/fulfilled by a product or service.

- **Basic product level**: are the basic different attributes of a product which delivers the core benefit to the customers.
The different levels of a product

• **Expected product level**: are the different attributes and performance marks a consumer expects from a product or service.
• **Augmented product level**: are the additional customer services and benefits that a company provides to its customers.
• **Potential product level**: are all the possible augmentations and transformations the product or offering might undergo in the future.
• **Discussion**: do you think expected product level increases as competition increases?
• **Product line** is a group of products under the same product category that are closely related because they perform a similar function, are marketed through the same channel or fall within a given price range.

• **Product mix** consists of all the products (product lines) and items that a particular seller offers for sale.
Concepts of Product Mix

- **Product Mix width** refers to how many different product lines the company carries.
- **Product mix length** refers to total number of items in the mix.
Concepts of Product Mix

• **Product mix depth** refers to how many variants are offered of each product in the line.
• Product mix consistency refers to how closely related the various product lines are in end use, production requirements, distribution channels, or some other way.
Concepts of Product Mix

• **Discussion:** if you want to increase the revenues and profits of the business of Unilever – what strategy can you pursue?

• Add new product lines, thus widening the product mix.

• It can lengthen each product line

• It can add more product variants to each product and deepen its product mix.
Concepts of Product Line

- **Line stretching** occurs when a company lengthens its product line beyond its current range, whether through down market, up market, or both.
  - A company can add products that are higher priced than the existing line (**up market stretch**). Example: Lexus/Acura/crowne plaza/priority banking/Icon.
Concepts of Product Line

- **Line stretching** occurs when a company lengthens its product line beyond its current range, whether through down market, up market, or both.
  - A company can add products that are lower priced than the existing line (**down market stretch**). Example: Mercedes C-class cars/Genstar/Luvs/Kodak Funtime.
• **Line stretching** occurs when a company lengthens its product line beyond its current range, whether through down market, up market, or both.

  – A company can add products in both directions (two way stretch). For example: Titan was serving the middle price middle quality market. Gradually it added watches in the premium segment such as Titan Edge, Nebula, and Xylux, where it competes with European brands. In the Economy segment Titan introduced Sonata. This is how Titan dominated the category.
• **Question 1:** What are the different items in the product line of Good Knight?

• **Question 2:** Are they pursuing product development, diversification, market development or market penetration strategy? How?

• **Question 3:** What attack strategy are they pursuing?
A company must measure the size, growth, and profit potential of each current SBU and any new opportunities that a company wants to tap into.

A sales forecast prepared by the marketing department will help:

- The procurement department to purchase the right amount of raw materials and packaging materials.
- The production department to establish production capacity to deliver the required output.
- The HRM department to hire the right number of workers.
- Finance department to raise the right amount of money needed for operations.

Sales forecasts should be conducted for monthly, yearly, and even 5 yearly.
Different ways to break down a market

• **A potential market** is the set of consumers with a **sufficient level of interest** in a market offer. However, their interest is not enough to define a market unless they have sufficient **income** or **access** to the product.

• **The available market** is the set of consumers who have an interest, income, and access to the product.

• **The target market** is the set of consumers amongst the available market that a company wants to serve.
Different ways to break down a market

- **The penetrated market (from a company’s perspective)** is the set of consumers who are buying the company’s products or services.
- **The penetrated market (from the category perspective)** is the set of consumers who are using the company’s and its competitor’s products. In other words, it is also the available market.
- **The non-penetrated market from the company’s perspective** are the set of consumers from the available market who are not buying the company’s products.
- **The non-penetrated market from the category perspective** is the potential market.
<table>
<thead>
<tr>
<th>Perspective</th>
<th>Penetrated</th>
<th>Non Penetrated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Perspective</td>
<td>set of consumers who are <strong>buying</strong> the company’s products or services.</td>
<td>set of consumers from the available market who are <strong>not buying</strong> the company’s products.</td>
</tr>
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Different ways to break down a market

• If a company wants to increase its current sales then it can:
  – Try to attract more consumers from the target market through advertising and promotions so that they become part of the penetrated market (from a company’s perspective).
  – It can convert potential market into available market by increasing distribution or by lowering down prices.
  – It can launch different brands/sub-brands to tap into all the available market (Example GP). In other words, by pursuing an encirclement attack strategy.
Market demand for a product is the total volume that would be bought by a defined customer group in a defined geographical area and in a defined time frame. Example the demand for toothpaste in Bangladesh in year 2012 was 6346 MT.
The horizontal axis signifies the different possible levels of industry marketing expenditure in a given time period. The vertical axis shows the resulting demand level. The curve represents the estimated market demand associated with varying levels of marketing expenditure. Q1 (market minimum) signifies the demand for a product without any demand stimulating expenditure. Q2 (market potential) signifies a point where the market has reached saturation that means at this point an increase in industry marketing expenditure will yield no extra demand for the product.
A vocabulary for demand measurement

• Marketing sensitivity of demand signifies the difference between market minimum and the market potential.

• The greater the difference, the greater the marketing sensitivity of demand and the more lucrative the opportunity to enter the market.
• There exists two extreme types of markets:
  – The **expandable market** has a high market growth rate, and the difference between market minimum and market potential is very high. Hence the marketing sensitivity of demand is high. **Example**: sanitary napkins and baby diaper market in Bangladesh. In such markets, marketing expenditure will have a significant impact on market demand and thus, the marketing sensitivity is high.
  – The **non-expandable market** has a low market growth rate, and the difference between market minimum and market potential is low. Hence, marketing sensitivity of demand is low. A company doing business in such markets should try to win a larger market share by creating **selective demand**.
• **Primary demand communication** is designed to stimulate demand for the product category.

• **Selective demand communication** focuses on creating demand for a specific company’s brand by persuading consumers how their brand is BETTER.
Significance of Brands

- **Brands** are the most valuable intangible assets of the company and a good strategist knows how to build and manage powerful brands.
Significance of brand equity to understand the fundamental reason why brands are the most valuable assets of a company by embracing the master brand strategy
### Interbrand’s 2013 Top Global Brands by Value

<table>
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<th>Company</th>
<th>Country</th>
<th>Value (£m)</th>
<th>Value (US$m)</th>
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<tr>
<td>1 Apple</td>
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<td>2 Google</td>
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<td>3 Coca-Cola</td>
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<td>9 Intel</td>
<td>US</td>
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<tr>
<td>10 Toyota</td>
<td>Japan</td>
<td>21,117</td>
<td>35,346</td>
</tr>
</tbody>
</table>

Source: Interbrand (2013)
Top 20 Coolest Brands In Britain 2014/15

1. Apple
2. Aston Martin
3. Nike
4. Chanel
5. Glastonbury
6. Google
7. YouTube
8. Dom Perignon
9. Rolex
10. Netflix
11. Bang & Olufsen
12. Ray-Ban
13. Alexander McQueen
14. Instagram
15. Bose
16. Liberty
17. Selfridges
18. Sony
19. Virgin Atlantic
20. Stella McCartney
Significance of Brands

To qualify as cool, a brand must meet the following six criteria:

– It must be thought as **stylish**
– It must be perceived as **innovative**
– It must be seen as **original**
– It must be felt as **authentic**
– It must be **desirable**
– It must be considered as **unique**
Significance of Brands

• Branding involves creating a unique brand identify while also building strong, favorable and unique associations.
Creating Brand Identity by utilizing brand elements

Packaging
Brand names
URLs
Logos
Slogans
Characters
Symbols
Jingles
Slogans

KFC
It’s finger lickin’ good!

Subway
eat fresh.

McDonald’s
i’m lovin’ it™
Building brand associations

- Quality
- Tasty
- Gift
- Family
- Chocolate
Building brand associations

- Disney
- Cartoons
- Magic
- Disney World
- American
- Mickey Mouse
- Princesses
- Castles
How brands help consumers

• Brands help in product identification which reduces search cost
• Signal of quality which reduces perceived risk.
• Provides social status which reduces social and psychological risk.
How brands help firms

1. The facilitation of consumer demand, which improves financial performance.
2. The breeding of customer familiarity, which aids in the introduction of new product offerings.
3. The differentiation of company offerings from those of competitors, which enables the use of premium pricing.
4. The enhancement of brand loyalty, which promotes repeat purchase.
• Brand Architecture teaches us how to organize our brand portfolio and specifies the role of each brand and the nature of relationship between the brands.

• We will learn a powerful brand architecture tool called the brand relationship spectrum.
Figure 8.3 Brand relationship spectrum
Brand Architecture

- **House of brands strategy** involved building a set of individual stand alone brands each operating in a defined market/industry.

- **House of brands can have:**
  1. A shadow endorser of the organization. This provides an advantage of having a known organization backing the brand.
  2. No connection with the organization.
Brand Architecture

- **Endorsed Brands** are still independent brands but they are endorsed by another brand usually an organizational brand. This link, this endorsement can be strong or weak.

- **It can be of three types:**
  - **Strong endorsement:** when the endorsement is very strong and the endorser brand plays a strong role in branding.
  - **Linked Name:** it provides the benefits of a separate name without having to establish a second name from scratch and link it to the master brand.
  - **Token endorsement:** the role of token endorser is to provide some reassurance and credibility while still allowing the brand maximum freedom to create its own associations.
Brand Architecture

• **Sub-brands:** are brands connected to the master / parents brand and helps the master brand to reach new markets.

• **For example:** Nestle KitKat, Meril Splash, Meril Baby, Holiday Inn Crowne Plaza.

• **Sub-brands can be of two types:**
  – **Co-drivers:** splits the driver role equally between the master brand and the sub brand that means both play large roles in the purchasing decision from customers’ perspective.
  – **Master brand as drivers:** the ability of the master brand to affect the purchasing decision since it can be considered as an established brand with significant popularity and loyalty among customers.
Brand Architecture

• A Branded house uses a single master brand to sell their products in the marketplace. Hence, the master brand plays the entire driver role.

• “Same identity” describes a phenomenon where the brand has a unique identity and “position” in every context it operates.

• “Different identity” is a phenomenon that can be observed when a specific brand is used in several market sections, nations or commodities.
• Aaker (1991) described brand equity as the set of assets connected to the name and symbols of the brand that adds to the value of a product or service to a company and its customers.

• Brand equity is a set of assets. Management of brand equity involves investment to create and enhance these assets.
Brand Equity Assets

- Brand Awareness
- Brand Associations
- Perceived Quality
- Brand Loyalty
- Intellectual rights
Brand equity assets

• Brand Awareness: comprises of brand recognition and brand recall.
• Awareness refers to the strength of a brand’s presence in the consumer’s mind
• Consumers instinctively prefer a brand that they have previously seen to one that is new to them. Familiar brand has an edge!
Brand equity assets

• **Brand Associations**: are the various information, knowledge and qualities that consumers have in their mindset about a brand.

• Brand association is anything linked in memory to a brand.

• Association not only exists but has level of strengths.
  
  – A link to a brand will be stronger when it is based on many experiences or exposures to communications.
Brand Associations

- User Friendly
- Innovative
- Reliable/durable
- High performance
- Cool
Types of Brand Associations

- Product attributes
- Intangible benefits
- Customer benefits
- Relative price
- Use / application
- User / Customer
- Celebrity / person
- Lifestyle / personality
- Product category
- Country of origin
- Perceived quality
Brand equity assets

• An association can provide an important basis for differentiation because it can be a unique association. For example: Dove Soap has cream inside.

• Many brand associations involve product attributes or customer benefits that provide a specific reason to buy the brand.
• **Perceived Quality:** Perceived quality can be defined as the customer’s perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives.

• Perceived quality is an intangible and **overall feeling about a brand**
Brand equity assets

• Perceived quality is a brand association which elevates the value of a brand:
  – Among all brand associations, only perceived quality has been shown to drive financial performance
  – Perceived quality is often a major strategic thrust of a business
  – Perceived quality is linked to and often drives other aspects of how a brand is perceived
Brand equity assets

• In many contexts, perceived quality provides the pivotal reason to buy

• Could differentiate and be a principal positioning characteristic of a brand

• Provides the option of charging a premium price
Brand equity assets

• **Brand loyalty**: comprises of attitudinal and behavioral loyalty. Loyal consumers will spread positive WOM and attract new customers. It is a measure of attachment that a customer has towards a brand.

• **Intellectual rights**: include trademarks and patents which support the brand to keep it authentic.
Brand Wheel Model

• The Brand Wheel model helps a brand strategist to have a clear understanding about “what is the brand”?
Brand Wheel Model

- **Key Reward**
  - Core of the claim
  - Personality
  - Values
  - Benefits
  - Features
  - Preference, but not loyalty
  - Relationship and loyalty
Brand Wheel Model

- **The features** are the various attributes or ingredients of the main product/service.
- **The benefits** are the advantages provided by the features.
- **Important note:** features and benefits generate consumer preference but is not enough to build loyalty.
Brand Wheel Model

• **Values:** signify the principles and standards of the company which owns the brand.

• British council has the following values:
  – Valuing people
  – Integrity
  – Professionalism
  – Creativity
  – Mutuality
• **Personality:** are the psychological characteristics of a brand. It’s how a brand can possess human characteristics.
Important note: values and personality reflect the character of the brand and hence offer the potential of loyalty.

Hence, consumers will love the brand not only because of its performance, but because of its character.
• Key reward: is the central reason that people buy the brand based upon the four earlier levels of the brand wheel.

• Key reward can be found in any one or a combination of levels. For instance, it can be found in the benefit level, in the personality level, or the attribute level or any combination of them.

• Key reward can be generated from the cumulative effect of the previous 4 levels of the brand wheel.
• For example **Channel** provides its key reward from the personality level.
• **Magic** provides its key reward from the benefit level.
• **Dove** provides its key reward from the feature level.
• **NSU SBE** provides its key reward through the cumulative effect of all the levels.